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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III
FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING AUGUST 1, 2003 AND ENDING JULY 31, 2004

A. 1	REGISTRANT IDENTIFICAT	TION
NAME OF BROKER-DEALER:		OFFICIAL USE ONLY
B & B SECURITIES, INC.		FIRM ID. NO.
ADDRESS OF PRINCIPAL PLACE OF	BUSINESS: (Do not use P. O.	
c/o GETTENBERG CONSULTING -	65 BROADWAY, SUITE 100	PROCESSED
NEW YORK	NEW YORK	THOMSON
(City) NAME AND TELEPHONE NUMBER	(State) OF PERSON TO CONTACT I	N REGARD TO THIS REPORT
GARY GETTENBERG		(212) 668 - 8700
	(	Area Code – Telephone No.)
B. /	ACCOUNTANT IDENTIFICA	TION
INDEPENDENT PUBLIC ACCOUNTA	ANT whose opinion is contained	in this Report*
LERNER & SIPKIN, CPAs, LLP		
132 Nassau Street, Suite 1023	New York	NY 10038
X Certified Public Acco	ountant	
	FOR OFFICIAL USE ONL	Y

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

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<sup>\*</sup>Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

#### OATH OR AFFIRMATION

I, ROBERT McGRATH, swear (or affirm) that, to the best of my knowledge and belief, the accompanying financial statement and supporting schedules pertaining to the firm of B & B SECURITIES, INC., as of JULY 31, 2004,

are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, member, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

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CHRISTINE COOPER
Notary Public, State Of New York
No.01CO6085064
Qualified In Queens County
Commission Expires Dec.23, 20

This report\*\* contains (check all applicable boxes):

- (x) (a) Facing page.
- (x) (b) Statement of Financial Condition.
- (x) (c) Statement of Income (Loss).
- (x) (d) Statement of Cash Flows.
- (x) (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (x) (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (x) (g) Computation of Net Capital.
- ( ) (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ( ) (i) Information Relating to the Possession or Control requirements under rule 15c3-3.
- ( ) (j ) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the reserve requirements Under Exhibit A of Rule 15c3-3.
- ( ) (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (x) (1) An Oath or Affirmation.
- ( ) (m) A copy of the SIPC Supplemental Report.
- ( ) (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (x) (o) Independent Auditors' Report.
- \*\* For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

NAME OF ORGANIZATION:	B & B SECURITIES, INC
ADDRESS: c/o Gettenberg Consu	JULY 31, 2004
NEW YORK STOCK EXCHANGE, I 20 BROAD STREET - 23rd Floor NEW YORK, N.Y. 10005	INC.
Att: Member Firms Department	
Gentlemen:	
	bers or allied members of B & B SECURITIES, INC. caused ce with the prescribed regulations and have arranged for the pon such audit.
report prepared as of JULY 31,	est of our knowledge and belief, the accompanying financial 2004 represents a true and correct financial statement of our will promptly be made available to those members and allied appear below.

I, ROBERT McGRATH, swear that to the best of my knowledge and belief, the accompanying financial statements and supporting schedule(s) pertaining to the Firm of B & B SECURITIES, INC., as of JULY 31, 2004,

are true and correct. I further swear that neither the Company nor any partner, proprietor, principal officer, director or member has any proprietary interest in any account classified solely as that of customer, except as follows:

No Exceptions

CHRISTINE COOPER
Notary Public, State Of New York
No.01CO6085064
Qualified In Queens County
Commission Expires Dec.23, 20 OC

# STATEMENT OF FINANCIAL CONDITION JULY 31, 2004

## **ASSETS**

Cash and cash equivalents Due from clearing broker Commissions receivable Prepaid expense	\$	20,868 71,392 61,326 10,500	
Total assets	<u>\$</u>	164,086	
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Accounts payable and accrued expenses	\$	92,025	
Total liabilities		92,025	
Commitments and Contingencies (Notes 4-6)			
Stockholders' equity (Note 7)			
Common stock, no par value, 200 shares			
authorized, 10 shares issued and outstanding.		1,000	
Retained earnings		71,061	
Total stockholders' equity	<b>-</b>	72,061	
Total liabilities and stockholders' equity	<u>\$</u>	164,086	

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2004

#### Note 1 - Nature of Business

B & B Securities, Inc. (The "Company") is a New York State corporation formed for the purpose of conducting business as a broker on the floor of the New York Stock Exchange. The Company is registered as a broker-dealer with the Securities and Exchange Commission ("SEC"). Operations include the execution of transactions for non-member organizations by means of a direct phone access system.

## Note 2 - Summary of Significant Accounting Policies

#### a) Revenue Recognition

Securities transactions (and the recognition of related income and expenses) are recorded on a trade date basis. Commission income and related expense are recorded on a settlement date basis. There is no material difference between settlement date and trade date.

## b) Income Taxes

Deferred tax liabilities or assets reflect temporary differences between amounts of assets and liabilities for financial and tax reporting. Such amounts are adjusted, as appropriate, to reflect changes in tax rates expected to be in effect when the temporary differences reverse. A valuation allowance is established for any deferred tax asset for which realization is not likely.

#### c) Cash and Cash Equivalents

The Company considers demand deposited money market funds to be cash equivalents.

#### d) Equipment

Equipment is carried at cost and is depreciated over a useful life of 5-7 years using accelerated methods.

## e) Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2004

#### Note 3- Income Taxes

Taxes on income consist of:	
Current:	
United States	\$ 15,996
New York State	7,096
New York City (Alternative tax)	43,917
	\$ 67,009
Deferred:	
United States	(64,000)
New York State	(20,000)
New York City (Alternative tax)	(6,000)
	(90,000)
	(\$22,991)

### Note 4 - Uninsured Cash Balances

The Company maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash.

#### Note 5 - Commitments

#### Seat Lease

The Company leases two seats on the New York Stock Exchange. The first lease expires in April, 2005 and calls for payments of \$16,667 per month. The second lease expires in June, 2005 and calls for payments of \$15,500 per month.

## Note 8 - Financial Instruments with Off-Balance Sheet Credit Risk

As a securities broker, the Company is engaged in buying and selling securities for a diverse group of institutional and individual investors. The Company introduces these transactions for clearance to another broker-dealer on a fully disclosed basis.

The Company's exposure to credit risk associated with non-performance of customers in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets which may impair the customer' ability to satisfy their obligations to the Company and the Company's ability to liquidate the collateral at an amount equal to the original contracted amount. The agreement between the Company and its clearing broker provides that the Company is obligated to assume any exposure related to such non-performance by its customers.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2004

## Note 6 - Financial Instruments with Off-Balance Sheet Credit Risk (continued)

The Company seeks to control the aforementioned risks by requiring customers to maintain margin collateral in compliance with various regulatory requirements and the clearing broker's internal guidelines. The Company monitors its customer activity by reviewing information it receives from its clearing broker on a daily basis, and requiring customers to deposit additional collateral, or reduce positions, when necessary

## Note 7 - Net Capital Requirement

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 1500%. At July 31, 2004, the Company had net capital of \$61,561, which was \$55,426 in excess of its required net capital of \$6,135. The Company's net capital ratio was 149.49%.



132 Nassau Street, New York, NY 10038 Tel 212.571.0064 / Fax 212.571.0074
E-mail: LS@lernersipkin.com

#### INDEPENDENT AUDITORS' REPORT

To the Officers and Directors of B & B Securities, Inc. c/o Gettenberg Consulting 65 Broadway, Suite 1004 New York, NY 10006

We have audited the accompanying statement of financial condition of B & B Securities, Inc. as of July 31, 2004. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of B & B Securities, Inc. as of July 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

Lerner & Sipkin, CPAs, LLP Certified Public Accountants (NY)

New York, NY August 19, 2004

## **B & B SECURITIES, INC.**INDEPENDENT AUDITORS' COMMENTS

FOR THE YEAR ENDED JULY 31, 2004



132 Nassau Street, New York, NY 10038 Tel 212.571.0064 / Fax 212.571.0074
E-mail: LS@lernersipkin.com

To the Officers and Directors of B & B Securities, Inc. c/o Gettenburg Consulting 65 Broadway, Suite 1004 New York, NY 10006

#### Gentlemen:

In planning and performing our audit of the financial statements of B & B Securities, Inc. for the year ended July 31, 2004, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion of the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5 (g) (1) and (2) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by B & B Securities, Inc. that we considered relevant to the objectives stated in Rule 17a-5 (g), (1) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3 (a) (II); (2) in complying with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company (1) in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13; (2) in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System; and (3) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above mentioned objectives.

Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that may be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for determining compliance with the exemption provisions of Rule 15c3-3, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at July 31, 2004, to meet the Commission's objectives.

This report recognizes that it is not practicable in an organization the size of B & B Securities, Inc. to achieve all the divisions of duties and cross checks generally included in a system of internal accounting control and that alternatively greater reliance must be placed on surveillance by management.

Further, that no material differences existed between our computations of your net capital, or determination of the reserve requirements, and your corresponding Focus Report Part IIA filing.

This report is intended solely for the use of management, the Securities and Exchange Commission, and other regulatory agencies, which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

Respectfully submitted,

Serve I Suphi CAAS UP Lerner & Sipkin, CPAs, LLP

Certified Public Accountants (N.Y.)

New York, NY August 19, 2004